



**Request for Responses:**  
***Senior Managing Underwriter Massachusetts***  
***Clean Water Trust Series 20 Green Bonds***  
January 17, 2017

**RESPONSES DUE:** January 30, 2017

**CONTACT PERSON:** Bernard Greene, Procurement Manager – [bgreene@tre.state.ma.us](mailto:bgreene@tre.state.ma.us)

- 1. Regarding this RFR.** The Massachusetts Clean Water Trust (“the Trust”) requests responses from investment banking and underwriting firms (“Firms”) that are currently on the State Treasurer’s Office’s (“TRE”) list of Firms that are pre-qualified to provide underwriting and investment banking services to the Commonwealth of Massachusetts (the “Commonwealth”) to serve as book-running senior manager for the Trust’s Series 20 Green Bonds (the “Bonds”), tentatively scheduled to close in March of 2017, expected to be comprised of approximately \$200 million<sup>1</sup> of new money tax-exempt series and a refunding series.

The Trust intends to select a book-running senior manager, one or more co-senior manager(s), and one or more co-manager(s) from the responding Firms. The Trust reserves the right to include Firms at whatever syndicate position it deems appropriate, regardless of positioning within the previous prequalification. Further, the Trust reserves the right to include or exclude any Firms. Any such decisions will be made based on the responses to this RFR and any other information the Trust determines to be pertinent.

Firms wishing to only be considered for a co-senior manager or co-manager position (that is, not the book-running senior manager), should indicate as such in their cover letter and only respond to the questions in Section 14 that are indicated to be applicable to “All Respondents.”

- 2. Regarding the Trust.** For a detailed description of the Trust and its programs, see the Official Statement for the Trust’s Series 19 Bonds, the Master Trust Agreement, and other relevant materials on the Trust’s website at <http://www.mass.gov/treasury/affiliated-prog/clean-water-trust/>.

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<sup>1</sup> Subject to change as market rates change.

3. **Schedule.** The following is the tentative schedule for the Trust's selection of a Firm or Firms. This schedule is subject to change by the Trust.

RFR Issuance Date:	January 17, 2017
Question Submission Deadline Date:	January 23, 2017 at 12:00 pm
Question Response Deadline Date:	January 23, 2017 at 5:00 pm
<b>RFR Response Deadline:</b>	<b>January 30, 2017 at 4:00 pm</b>
Oral Interview Invitation (If Necessary):	February 3, 2017
Oral Interviews (If Necessary):	February 9 and 10, 2017
Approximate Selection Date:	February 15, 2017

4. **Purpose of the RFR.** This RFR is designed to provide Firms with information necessary to prepare a competitive bid proposal. This RFR process is for the Trust's benefit and is intended to provide the Trust with the information necessary to assist in the selection of a Firm or Firms to serve as book running Senior Manager and the underwriting syndicate for the Bonds. This RFR is not intended to be comprehensive and each Firm is responsible for determining all factors necessary for submission of a competitive bid proposal. Issuance of this RFR in no way constitutes a commitment by the Trust to award a contract.
5. **Terms of the TRE's RFQs to Apply.** The terms and conditions of the Commonwealth's Requests for Qualifications, dated October 12, 2016 (the "2016 RFQ") and Firms' responses thereto, including all exhibits and appendices, shall apply to this RFR.
6. **Scope of Services.** The scope of services to be provided by the book-running senior manager, any co-senior managers, and co-managers are those outlined in Section 6 of the 2016 RFQ, substituting "the Trust" for "TRE."
7. **Questions.** Firms responding to this RFR that have questions related to this RFR must email their questions to the Contact Person no later than the Question Submission Deadline Date. The Trust's responses to the questions will be posted on COMMBUYS by the Question Response Deadline Date.
8. **COMMBUYS.** COMMBUYS is the Commonwealth's online procurement website and can be found at [www.commbuys.com](http://www.commbuys.com). COMMBUYS will be the primary site for any amendments, modifications, clarifications, or other information related to this RFR. The Trust also intends to post information on this RFR on its website as a convenience, but Firms responding to this RFR are advised to use COMMBUYS as their primary source for information and updates. Respondents are solely responsible for obtaining and completing required attachments that are identified in this RFR and for checking COMMBUYS for any addenda, amendments, or modifications that are subsequently made to this RFR or attachments. The Trust accepts no liability and will provide no accommodation to Firms that fail to check for amended RFRs and submit inadequate or incorrect responses.

**9. Mandatory Attachments.** The following Mandatory Attachments are available on CommBuys and must be signed by the Authorized Signatory and included in the Response package for this RFR:

- a. Commonwealth Terms and Conditions (if not previously submitted, without changes or alterations, or if any information has changed since it was originally submitted);
- b. Standard Contract Form;
- c. Contractor Authorized Signatory Listing;
- d. Certificate of Non-Collusion;
- e. Treasury Supplier Diversity Program;
- f. Invest in Massachusetts Plan; and
- g. Tax Compliance Certification (if not submitted within the past year or if any information has changed since it was originally submitted).

**10. Communication.** Firms that intend to respond to this RFR are prohibited from contacting any employee of the Trust, the TRE, or the Commonwealth regarding any matters related to this RFR, except the Contact Person, from the date of this RFR and continuing until the selection process is concluded. In addition, this prohibition shall also apply to any employee of the Trust's current investment advisor/broker, program counsel, bond counsel, financial advisor, or bond/program trustee or master trustee in relation to this RFR. Any questions, technical inquiries, or other communications related to this RFR are required to be addressed only to the Contact Person. Failure to observe this prohibition shall be grounds for disqualification.

**11. Response Submission.** Firms must submit five paper copies of the Response and one electronic copy as a PDF file. One of the paper copies must be an original signed copy. The four paper copies must arrive at the Trust no later than 4:00 p.m. on the RFR Response Deadline Date at the following address:

Massachusetts Clean Water Trust  
3 Center Plaza, Suite 430  
Boston, MA 02108  
Attention: Bernard Greene

**12. Contents of the Response.** To be considered complete, each copy of the Response must include the following:

- a. **Cover Letter.** The Response must include a cover letter, no longer than two pages, signed by the member of the Firm that will have the primary responsibility for the engagement ("Firm Signatory") that includes relevant introductory information. By signing the cover letter, the Firm Signatory, on behalf of his or her Firm, irrevocably offers to provide the services envisioned by this RFR, and if selected, agrees to the terms and conditions of this RFR, which shall become a part of the contract between the Trust and the selected Firm, and certifies that the statements made and the documents included in the Response are true, accurate and complete. Each responding Firm's offer shall be deemed to remain outstanding until 20 calendar days after the final Award Date.

- b. **Answers to Questions.** For Firms applying for book-running senior manager, the Response must include an answer to each of the Questions listed below in Section 14 within the noted page limits. For Firms only wishing to be considered for a co-senior manager or co-manager position in the syndicate (that is, not book-running senior manager), the Response should only include answers **to Questions 14(a), 14(b) and 14(e).**
- c. **Reservation of Rights.** The Trust may, but is not obligated, to waive or modify any irregularities in the Responses received.

**13. Procurement Management Team.** The Executive Director of the Trust, the Deputy Director of the Trust and two Senior Debt Analysts of the Debt Management Department of the Treasury will comprise the Procurement Management Team (“PMT”) and will evaluate the Responses. The PMT will make its recommendation to the Executive Committee of the Trust for approval. The PMT will select the Firm(s) that best meets the needs of the Trust using the Evaluation Criteria described in Section 15 below. PFM Financial Advisors, LLC, the Trust’s financial advisor, will provide advice to the PMT in evaluating the Responses.

#### **14. Questions.**

- a. **Personnel. (All Respondents. Please limit response to two pages. Resumes may be included as an appendix.)** Please identify the personnel that will comprise your team. Please provide a brief description of the relevant experience of each individual including their education, knowledge and technical abilities, the role each will serve, their title and their office location. If you are providing a Green Bond financing specialist as a part of the primary coverage team, please provide detail with respect to their Green Bond financing-related experience.
- b. **Green Bond Issuance Recommendations. (All Respondents. Please limit response to two pages; any structure schedules you may wish to include may be included as an appendix)**
  - i. Should the Trust issue Green Bonds? What are the benefits to the Trust for issuing Green Bonds and are there any negative consequences that should be considered? Include in your discussion whether you expect there to be a pricing benefit to the Green Bond status.
  - ii. Should the Trust receive a Green Bond rating from an third party? What benefits would the Trust gain from doing so?
  - iii. Should the Trust issue its refunding series as Green Bonds? What benefits would the Trust gain from doing so?
  - iv. What changes would you recommend to the current Green Bond disclosures the Trust makes in its Official Statement and in the subsequent Green Bond reporting in its Annual Report?
  - v. Your recommendation should balance the financing goals of the Trust with the anticipated demand from Green Bond investors – both retail and institutional. The recommended structure should be designed to appeal to as many new investors as possible.

c. **Recommended Refunding/Defeasance Transaction. (Book-Running Senior Manager Respondents Only. Please limit response to three pages. Any structure schedules you may wish to include may be included as an appendix.)**

- i. The Trust is considering a refunding of the outstanding Series 14 bonds. The DSRF A and DSRF B for the Series 14 bonds are invested in open-market securities with investment yields above market interest rates. Current forecasts indicate the Trust will have to make a rebate payment of \$3.7 million over the remaining life of the bonds. Please provide any structure ideas that enable the Trust to maximize debt service savings while minimizing the future rebate liability. For purposes of your refunding analysis and structuring, please assume the market rates as of January 11, 2017.
- ii. For all additional refunding candidates, please provide a description of any refunding opportunities for the Trust indicating the proposed size and structure of your recommended transaction, the anticipated savings, and any key features of the proposed transaction. For purposes of your analysis and structuring, please assume the market rates as of January 11, 2017. Please provide rationale to support your proposed size of the overall refunding transaction and selection methodology. Additionally, for each refunding candidate, the Trust is looking for net present value savings by each maturity that reach at least the minimums below and a minimum of 50% refunding efficiency. All the necessary information regarding outstanding debt will be posted to COMMBUYS with the RFR.

Years from Call Date to Maturity	Years to Call Date			
		0-2	3-7	8-10
	0-5	0.5%	1.0%	2.0%
	6-10	1.0%	2.5%	4.0%
	11-15	3.0%	4.0%	5.0%
	16-20	4.0%	5.0%	5.5%

- d. **Programmatic/Structuring Changes – (Book-Running Senior Manager Respondents Only. Please limit response to two pages.)** Describe any significant innovations your Firm has implemented relative to SRF bond issues or other pooled or structured finance bond issues. What changes, if any, would you recommend in the Trust’s existing program and bond structure? What other aspects would have to be considered (specifically in terms of timing) for the implementation of such changes? Discuss any risks associated with your recommendations and how the Trust can manage such risks.
- e. **Marketing, Distribution and Underwriting Abilities – (All Respondents. Please limit response to two pages.)**
- i. Describe any unique techniques that your Firm would propose to maximize the sales and distribution of bonds. Please include specific recommendations of investor targets as part of your plan and indicate which categories/classes of investors may be specifically interested in Green

Bonds. In the absence of orders for the bonds, describe your Firm's ability to underwrite unsold balances.

- ii. What would your Firm propose as an outreach plan? Additionally, aside from the use of roadshows, digital ads and radio, how would you suggest the Trust market its Green Bonds? Should you not be selected as book-running senior manager, what specific contributions can you make from a marketing or investor-targeting perspective as a co-senior manager or co-manager?
- iii. What would you recommend as a syndicate structure for the financing you are proposing and why? If responding for and selected as book-running senior manager, how would you manage the syndicate? Under what circumstances, if any, would your firm push liability for unsold balances to the syndicate members? For all responding firms, please be as specific as possible with respect to not only the overall size of the syndicate, but also the types of firms from which the syndicate should be constructed. Please also provide your recommended designation policy for this transaction.

- f. **Fee Proposal (Book-Running Senior Manager Only. Please limit your response to one page.)** – Provide a firm indication of the underwriting takedown (in dollars/\$1,000) which would be required if your Firm is selected as the Underwriter for this financing. Assume that there will be maturities ranging from 2018 through 2048 for purposes of providing takedowns. Please do not provide ranges. Please state whether your proposed fee will impact your Firm's willingness to underwrite unsold balances. Your fee proposal should assume that fees for underwriter's counsel will be considered separately and outside of your Proposal.

**15. References.** Please provide references relevant to a state revolving fund program that the Trust may contact.

**16. Evaluation Criteria.** The Trust is seeking detailed and creative proposals from Firms. Evaluation criteria will include:

- a. **Green Bond Recommendations:** Responses should demonstrate knowledge of the Green Bond market and any opportunities for the Trust to improve upon or change methods used in prior bond sales.
- b. **Refunding Proposal:** Responses should include a creative and thoughtful approach to restructuring Series 14 and any other feasible candidates, with consideration given to the tax rebate implications of any solution proposed. The uniqueness and applicability of your recommended refunding criteria and methodology will also be evaluated.
- c. **Marketing and Distribution Ability:** Each Firm's response should be specific as to each question asked in 14(e). Please note that in addition to our evaluation of the capabilities of the book-running senior manager, we are also evaluating marketing and distribution capabilities of Firms that will be placed in the larger syndicate. As such, if a Response does not provide specifics for the marketing and distribution capabilities the Firm is able to offer if not selected as book-running senior manager, we will not consider it for any syndicate position outside of Selling Group. Responses should demonstrate

the ability and describe the skill of the Firm to market and distribute the bonds, and should provide recommended targets for general investors as well as dedicated Green investors or funds. Your response should indicate why your Firm's particular focus areas and skillsets would be a complement to the syndicate in a co-senior or co-manager capacity, should you not be selected as book-running senior manager. If selected as book-running senior manager or member of the syndicate for these transactions, your responses will be the basis for syndicate performance expectations and targets. Responses should also indicate a detailed understanding of the Green market, the various reporting and certification enhancements, and how they affect investor appetite.

- d. **Experience:** Responses should demonstrate that the Firm and the primary coverage team have the experience and expertise required to successfully complete this transaction. The Response should demonstrate prior successful state revolving fund financings or programs similar in nature to the Trust's program.
- e. **Programmatic/ Structuring Changes.** The Response should include recommended changes (if any) to the Trust's existing programs and or bond structure either in the short term or long term. Recommendations should provide detail concerning any associated risks and how the Trust can manage such risks.
- f. **Underwriting Ability:** Each Firm's response should provide a specific recommendation for the Trust in selecting co-senior managers and co-managers and creative methods for helping the large syndicate to be more active in the bond sale. The ability and willingness of the Firm to support the transaction will be considered and relied upon should your firm be selected book-running senior manager or as part of the syndicate.
- g. **Overall quality of response including any oral presentation, (if necessary), and any other information the Trust deems appropriate.**
- h. **Other Factors - Invest in Massachusetts Plan and Treasury Supplier Diversity Program.** Firms may receive additional consideration for their responses in the Invest in Massachusetts Data Form and the Treasury Supplier Diversity Program Plan Form that are posted on CommBuys.

The Trust reserves the right to consider other factors, including information that may not be provided in the responses if it deems the information relevant to the evaluation and selection process. The Trust reserves the right, but it is not obligated, to waive or modify any irregularities in the Responses received.